

Committee on Ways and Means

Haitian HOPE Act Includes Balanced, Enforceable, and Limited Textiles Benefits HOPE Act Creates New Demand for U.S. Inputs

- The Haitian HOPE Act will help Haiti while expanding opportunities for U.S. textile interests:
 - Just over two-thirds of Haitian apparel exports to the United States are assembled from U.S. and CBI fabric, made from U.S. yarn. The Haitian HOPE Act encourages this partnership to continue to thrive, not to switch to China.
 - The use of non-woven third-country fabric in the bill is tied to and encourages the use of U.S., Haitian, and regional fabric through a 50% value-added rule. Haiti must use one unit of qualifying inputs for each unit of Chinese inputs it would want to use in any qualifying Haitian apparel.
 - Only the value-added in a qualifying country counts toward meeting the 50% requirement. For example, if Haiti cuts and sews Chinese fabric into apparel, only the value of the cutting and sewing counts toward the 50%, not the value of the Chinese fabric.
 - The amount of benefits in the first year is capped at 1% of U.S. apparel imports (222 million SMEs) – a level less than current apparel imports from Haiti and equal to only 20% of the total level provided to Africa under AGOA.
- While the Haiti bill contains a modest tariff preference level (TPL) of 50 million SMEs, qualifying apparel is limited to wovens and not knits.
 - The TPL level is equal to only 0.23% of U.S. apparel imports.
 - The TPL is a fraction of the benefits (just under 11%) provided under AGOA, and those benefits have proved to have no effect on the U.S. industry.
 - The limited use of third-country fabric will help stimulate demand for additional U.S. trims, findings, and other inputs.
- A value-added rule of origin (ROO) is not a TPL (tariff preference level), nor is it a new concept.
 - Customs has much experience in enforcing a value-added ROO under the Generalized System of Preferences (GSP), Caribbean Basin, and Andean preference programs; the Israel, Jordan, and Morocco Free Trade Agreements; and the Qualifying Industrial Zone program.
 - A value-added ROO is not more difficult to enforce than a yarn-forward rule of origin because in both cases importers must maintain, and Customs must review, detailed production records to verify that inputs qualify under the ROO.
 - Because fabric generally accounts for more than 50% of the value of a garment, the impact of a 50% value-added rule often is that qualifying apparel must be made with fabric produced in a qualifying country.
 - The bill specifically directs the U.S. Customs and Border Patrol and the importer, when calculating whether an entry qualifies for duty-free treatment, to exclude from the qualifying value any inputs from non-qualifying countries.